

**MINUTES OF THE
GOVERNOR'S BOARD OF ECONOMIC DEVELOPMENT**

December 14, 2007 • 10:00 a.m. to 12:00 p.m.
324 South State Street, Suite 500
Salt Lake City, Utah

Members Present: Ragula Bhaskar, Bill Boyle, Mary Draper, Stanley Ellington, Mel Lavitt, Nikos Linardakis, Jerry Oldroyd, Gerald Sherratt

Members Absent: Jack Brittain, Molonai Hola, Amy Rees Lewis, Richard Nelson, James Sorenson, Cliff White

Visitors: Todd Brightwell, Jeff DeMoss by phone, Beverly Draughton, Kyle Fetter, Delynn Fielding, Steve Lund, Mike McCandless, Charles McManus, Mark Raymond, Steven Roy, Troy Shelley, Alan Walker

Staff: Andrea Breisch, Clark Caras, Mimi Davis Taylor, Amy Hamblin, Marshall Moore, Jason Perry, Pete Pletsch

Welcome –

Representative Brad King (District 69) welcomed everyone and gave an overview of what was happening in the area. The community is very pleased with the announcement that Sorenson Companies will be coming to Price. Representative King also discussed the USTAR Sequestration Project and how important it is to their community. One of their objectives is to expand existing businesses. Light manufacturing and distribution jobs would be a good fit for the community. The area is resource rich providing a lot of opportunity for businesses. There is also good training and education available.

Mayor Joe Piccolo welcomed everyone. The community has lost about 90% of its workforce between 1980 and 2000. The Crandall Canyon Mine tragedy has left many out of work since August. Mayor Piccolo explained how close the community is and how important the mining industry is to its livelihood. There was discussion on the natural resources, statistics and town demographics. This area really needs diversity. There are great, hard working people living here and many work 2 jobs. Bringing in some more companies such as manufacturing would be a huge benefit. The College of Eastern Utah also has the capacity to place 2,000 more students without having to expand.

The community would like to attract bigger manufacturing companies but those companies would require a large amount of infrastructure to be put in place. If the cities, utility companies and the state could come together, they could make something bigger happen for this area. There was discussion on expanding existing companies. The local workforce was discussed. It was explained that the workforce mainly comes from the surrounding cities; there are more people in Price during the day than at night.

Many of the state's incentives require local participation. What can this community offer to fulfill that requirement? Mayor Piccolo explained that they have a low or no interest loan program with a \$10,000/year budget. There is also funding available for historical districts. There is an EDA in place for companies that wish to locate to a potential business park (60 acres). There is rail access and utilities available at some of these sites. They would like to attract businesses that can benefit from the geological offerings. There is also the need to support the town's aging citizens from 55-75 years old.

Approve November 2007 Minutes

MOTION: Gerald Sherratt moved to approve the minutes of the November 16, 2007 GOED Board Meeting. Jerry Oldroyd seconded the motion. Motion carried unanimously.

Committee Reports

Incentives Committee

Barnes Bullets

Company Request:

- Barnes Bullets is requesting a retention, relocation and expansion incentive of \$900,000 to offset some of the costs of moving from Lindon to Mona, Utah. The underlying reason for the request is that their appraisal for

the new Juab facility was \$1,200,000 lower than expected because of being in a remote location and thus limits their building loan. The incentive would help this difference.

Project Highlights:

- Retain 53 existing jobs and create 42 new full time jobs in Mona, Juab County, Utah
- Company Projected Wages: Average salaries are \$34,130 for new full time employees which is 160% of the Juab County median. The Average salary for retained jobs is \$36,099 which is 169% of the Juab County median.
- New State Revenue: \$446,000 for the new full time expansion jobs and \$1,299,000 for the existing retention jobs plus the expansion jobs.
- New State Wages: \$ 13,370,000 for expansion jobs over 10 years and \$43,286,000 for existing and expansion jobs over 10 years.
- Capital Investment: \$5,000,000 to build a new building.
- ROI Multiple: 3.3 times
- Competition: South Dakota and potentially Wyoming and Idaho; South Dakota is offering free land, relocation costs, cash and low interest financing to construct the shooting tunnel.

Local Incentives:

- Juab County to provide \$107,585 in road improvements to the site and \$350,000 from the six County low interest revolving and re-lending funds.

MOTION: Jerry Oldroyd moved to approve for Barnes Bullets, Inc., an Industrial Assistance Fund grant of up to \$200,000 to relocate their facility to Mona Utah, retaining 53 jobs and creating 42 new jobs as shown below. Mel Lavitt seconded the motion. Motion carried unanimously.

- \$100,000 to be granted upon completion of building & start up of manufacturing at the new site
- \$100,000 to be granted for the creation of 40 jobs @ \$2,500 per job

Additional Requirements:

- Company must commit to keep operation in Utah for 10 years
- Average wages of all full time employees must be equal to or exceed 140% of the Juab County median wage
- Subject to a local incentive of at least \$100,000 in infrastructure improvements and access to \$350,000 in revolving loan fund availability at lower than market rates.

Malnove Incorporated

Current Request:

- Amend original approval to allow Malnove to remain in the Freeport Center, specifically
 - Allow Malnove to remain in the Freeport Center or move to a new facility in Ogden
 - Change the average salary requirement for new full time employees to be at least 150% of the Weber County Median Salary or 140% of the Davis County Median Salary

Original Request:

- \$1,200,000 incentive to retain the firm by relocating/expanding in the Clearfield/Ogden area.

Original Approval (Granted by the Board on April 20, 2007):

- An EDTIF incentive not to exceed \$286,000 rebating 30% of new state revenue over 10 years

Project Highlights:

- Retain 104 existing employees and create 63 new full time jobs in Weber or Davis County
- Company Projected Wages: \$41,350 average which is 168% of the Weber County Median Wage (\$24,678) or 155% of the Davis County Median Wage for the 63 new jobs
- New State Revenue: \$953,000 over 10 years for the 63 new jobs
- New State Wages: \$19,560,000 over 10 years for the 63 new jobs
- Capital Investment: \$15,000,000 or \$5,000,000 if new building isn't built
- ROI Multiple: 3.3 times
- Competition: Reno and Las Vegas, Nevada; and Stockton, California

Local Incentives:

- Local incentive of \$300,000 to \$350,000 from entities in either Weber or Davis Counties

MOTION: Jerry Oldroyd moved to amend the April 20, 2007 Board approval of an EDTIF not to exceed \$286,000 for Malnove Incorporated of Utah in order to allow the incentive to apply to a location in either Weber or Davis Counties, and change the average salary requirement to be at least 150% of the Weber County Median Wage or 140% for Davis County Median Wage. All other terms and conditions remain unchanged. Stanley Ellington seconded the motion. Motion carried unanimously.

Adam Aircraft

Company's Request:

- An IAF grant totaling \$12,418,000 in addition to retaining their existing AATIF. The IAF request is to offset costs of moving their Production Headquarters to Ogden, Utah.

Two Options for Company:

- Since State statute precludes offering IAF grants with an AATIF, the Company can retain the original AATIF granted and receive no additional incentive, or accept a new blended IAF/EDTIF incentive as proposed herein:

- Existing AATIF (Approved March 18, 2004):** (projected to reach \$34,859,000).
 - New State Revenue includes direct and indirect sources (indirect calculated using a 1.8 multiplier)

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Rebate Percentage	50%	50%	50%	50%	45%	40%	35%	30%	25%	20%	5%	4%	3%	2%	1%

- Proposed blended IAF/EDTIF for Board Consideration:** (projected to reach \$35,261,000).
 - \$4,000,000 IAF based on milestone achievement
 - A 15 year EDTIF with the IAF earned out at the end of the contract
 - New State Revenue includes only direct sources (taxes paid directly to the State)

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Rebate Percentage	50%	50%	50%	50%	45%	45%	40%	40%	35%	35%	30%	30%	25%	10%	10%

Highlights of the Proposed Offer for the Project (Current information):

- Retain 50 existing jobs in Ogden and add 1,255 new full-time employees. The new job additions will begin in March 2008 and accelerate until the end of 2009
- Projected Average Wages: \$32,479 average salary which is 132% of the Weber County Median Wage
- Projected New State Wages: \$303,800,000 over 10 years / \$576,000,000 over 15 years
- Projected New State Revenue: \$57,049,000 over 10 years / \$118,580,000 over 15 years (assumes a 0% sales tax on aircraft sales)
- Capital Investment: \$160,000,000
- Competition: Colorado, Arkansas, Texas

Local Incentive:

- Ogden Redevelopment Agency has committed an estimated \$1,200,000 in tax increment over 14 years.

With the way the incentive is structured, the company would not receive any IAF money until the next financing round is completed. Observation rights for the company's board are requested in order to protect state funds and minimize risk. Retaining this company will really help the Ogden area and it is part of the Aerospace/Composites Cluster. It is not certain whether this incentive will be acceptable to the company or not; we want to protect the state's money while still being flexible with the company.

The status of the previous incentive was discussed. No funds have been disbursed from the company's original incentive. There are about 50 employees in Ogden right now. The new proposed incentive would help provide jobs and move the production headquarters to Utah. Their corporate headquarters will stay in Colorado.

The amount of the incentive was discussed. There was some concern about the large increase from the original incentive awarded in 2004. One reason for the difference is that the state will be receiving more revenue than with the original incentive. There was also some concern about the amount of incentives in general growing too rapidly. The size nature of the projects we are seeing have changed, the dollar value and number of new jobs have increased. These are all reasons why the incentives that are awarded now are higher than those in the past.

The risks and requirements of the Adam Aircraft deal were discussed. It was explained that they will have to complete the requirements before they get anything from the state because the award is post-performance. The company's survival and the ability to obtain the aircraft certification were discussed. The state will also have a clawback of IAF funds written into the contract should they not earn them out under the EDTIF portion of the incentive.

MOTION: Jerry Oldroyd moved to approve for Adam Aircraft, a blended Industrial Assistance Fund/Economic Development Tax Increment Fund incentive (IAF/EDTIF). Specifically, \$4,000,000 for the IAF grant and a 30% EDTIF tax rebate over 15 years as per the following terms, conditions, and rebate schedule. Mel Lavitt seconded the motion. Motion carried unanimously.

Industrial Assistance Fund

- \$2,000,000 to be disbursed from the IAF after funding of at least \$100,000,000 is secured in the next investment funding round and, GOED is granted observation rights in Adam Aircraft board meetings
- \$2,000,000 disbursed from IAF upon completion of full certification for the A700 VLJ and, production headquarters must move to the completed Ogden facility and begin production

Economic Development Tax Increment Fund

- Post performance EDTIF incentive not to exceed 30% of new state revenue over a 15 year period as per the following schedule:

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
New State Revenue	\$70	\$381	\$814	\$1,572	\$2,982	\$7,188	\$9,103	\$11,429	\$11,678	\$11,832
Rebate Percent	50%	50%	50%	50%	45%	45%	40%	40%	35%	35%
Potential Rebate	\$35	\$190	\$407	\$786	\$1,342	\$3,235	\$3,641	\$4,572	\$4,087	\$4,141

Year	2018	2019	2020	2021	2022	TOTAL
New State Revenue	\$11,987	\$12,143	\$12,304	\$12,465	\$12,632	\$118,580
Rebate Percent	30%	30%	25%	10%	10%	30%
Potential Rebate	\$3,596	\$3,643	\$3,076	\$1,247	\$1,263	\$35,261

Additional Requirements:

- \$4,000,000 IAF grant is subject to recapture if not earned out at the end of the EDTIF rebate period
- Wages must be at least 125% of the Weber County median
- Company must remain in Utah for 15 years

High School Musical 3

Project Request:

- Application type: MPIF
- Category: Feature (Studio)
- Dollars left in state : \$13,300,000
- Requested estimated rebate: \$2,000,000
- Average Salary for 190 crew positions \$1,875 per week; estimated additional \$58,498 would be spent on local weekly, day and stunt performers. Another estimated \$15,000 would be spent on Utah Casting directors. Finally, an estimated \$472,640 would be spent on approximately 4,000 Utah extras
- Length of film production: 41 days total in Utah

Amount of budget to be spent in Utah:

- \$13,300,000 which represents 99% of the total budget of \$13,309,940

Script Review for Content Matter:

- Family Film

Demonstrate Readiness Requirements:

- Distribution agreement: Walt Disney Studios Motion Pictures

Project schedule:

- Decision need by: December 14, 2007
- Beginning preproduction: January 21, 2008
- Beginning Photography: April 21, 2008
- Begin Wrap: June 13, 2008

Marshall Moore, Director of the Utah Film Commission, explained that this would be the largest budget film production to come to the state since *Unaccompanied Minors*. It will provide hundreds of jobs for local crew and further develop the partnerships with these directors, producers etc. The impact on tourism and the benefits to the state were discussed.

MOTION: Gerald Sherratt moved to approve a one time advance of up to \$2,000,000 from the Industrial Assistance Fund (IAF) to the Motion Picture Incentive Fund (MPIF). This amount is to be repaid from funds that the legislation puts back into the MPIF at the beginning of Fiscal Year 2009. Nikos Lindardakis seconded the motion. Motion carried unanimously.

MOTION: Gerald Sherratt moved to approve for High School Musical 3 Productions, Inc., for the film High School Musical 3 a MPIF rebate not to exceed \$2,000,000. Nikos Linardakis seconded the motion. Motion carried unanimously.

Gentlemen Broncos

Project Request:

- Application type: MPIF
- Category: Feature (studio)
- Dollars left in state : \$8, 500,000 – \$9,000,000
- Requested estimated rebate: 25% of the Utah expenses and non-Utah cast (New Mexico match) which is \$2,250,000
- Average Salary for 115 crew and cast positions: \$ 250 per day
- Length of film production: 50 days

Amount of budget to be spent in Utah:

- \$ 9,000,000 which represents 90% of the total budget of \$9,999,920

Demonstrate Readiness Requirements:

- Financing: Fox Searchlight Pictures
- Distribution agreement: To be distributed to all territories by Fox Searchlight Pictures

Project schedule:

- Beginning preproduction: Jan 2- February 29, 2008
- Beginning Photography: March 3- May 9, 2008
- Begin Wrap: May 12- May 23, 2008

Marshall Moore gave a brief overview of the film. He explained that they have been trying to attract big budget films to the state and this is one of them. The movie will have a theatrical release and is produced by Jared Hess who also wrote/directed/ produced *Napoleon Dynamite*. The expected rating is to be PG to PG-13. The film would be shot around Salt Lake City. The proposed motion would be to use the remaining funds in the MPIF for this year.

MOTION: Jerry Oldroyd moved to approve for Bronco Pictures, LLC for the film Gentlemen Broncos a MPIF rebate not to exceed \$581,459. Bill Boyle seconded the motion. Motion carried unanimously.

GOED Report

Jason Perry discussed the Governor's Budget for the next year. Upcoming legislation was also discussed including amendments to the MPIF, EDTIF and IAF statute. The health care initiatives and legislation that GOED will be involved with were also explained.

Other topics of interest:

- GOED will be putting on an international business lunch during the Sundance Film Festival which starts in January.
- The Delta Paris flight 'maiden voyage' will take place over a two night period starting June 2, 2008, with the celebration on the 2nd night.
- Nikos Linardakis volunteered to run a film advisory board to help with deals, scripts and make recommendations to the GOED Board
- Gerald Sherratt noted that Charlotte Pipe (awarded an incentive in August 2006) will start production in January and have also announced that they will be doubling the plant.
- A film partly shot in Helper, Utah will premier at the Sundance Film Festival

Meeting adjourned.

Community Presentation

- Todd Brightwell, EDCUtah, gave a brief overview on what EDCU does and what is happening around the state
- USTAR gave a presentation on the Carbon Dioxide Sequestration Project
- Beverly Draughton, Manager, Sorenson IP Relay Call Center, explained the company's technology, workforce and what the new facility will bring to the community.
- Mike McCandless, Economic Development, Emery County and Delynn Fielding, Economic Development, Carbon County discussed some of the area's recent events, some of the challenges in recruiting businesses, and how important incentives are to the community in attracting businesses. The area's natural resources and the local workforce were also discussed.